

PTIF News

Richard K. Ellis
State Treasurer

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Points of Interest

- Economic conditions remain strained
- Evaluate the condition of your banking partner(s)
- Take advantage of the convenience that iPAS provides

From the Treasurer's Desk

Some Perspective

Less bad is *good*. It's not just a simple issue of lowered expectations, but rather the reality of market sentiment at a time when participants are so desperate for good news, *less bad news* becomes their hope.

With this in mind, consider that recent gains in the equity markets may

reflect unfound exuberance: Economic fundamentals suggest that we are yet far from recovery.

An Introduction

David Damschen joined our office as Deputy Treasurer in early February.

Many of you know David—he's a twenty-year banking veteran,

and a long-time friend and supporter of municipal treasurers in Utah—if you get a chance, please join me in welcoming him to his new role.



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Investment Insights: Banking Check-Up

Effectively assessing and managing *risk to principal, diversification* and *liquidity* are practices typically associated with investments such as commercial paper.

However, such axioms of risk management also apply to bank deposits in this environment.

Bank deposits can serve as a competitive option to other investments for enhancing overall returns, but make no mistake: They are not risk-free, especially not in this distressed economy.

Nationally, twenty-five banks were closed by the FDIC in 2008. Thusfar in 2009, 21 institutions have

already been shuttered. If this pace continues, 2009 could see more than 75 bank failures nationwide.

So, how can you assess the safety and soundness of your bank? A *basic* analysis of your bank should at least look at:

- Capital Adequacy
- Liquidity
- Asset Quality

Capital Adequacy

While the FDIC defines three separate measures of bank capital, the *total risk-based capital ratio* is arguably the best and most comprehensive measure, since it incorpo-

rates a risk-weighting of the bank's assets within its calculation.

Banks with total risk-based capital ratios of 10% or greater are considered well-capitalized.

Liquidity

To assess your bank's relative liquidity, evaluate its *loan to deposit ratio*, as well as the percentage of total deposits the bank is funding with brokered CDs.

Asset Quality

Most "assets" held by a bank are loans. Of course, loan quality in this distressed economic

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Market and PTIF Portfolio Review

The first quarter of 2009 provided glimmers of hope in terms of both economic indicators and market activity, suggesting that the prevailing trends of contraction and volatility may be abating.

The Federal Funds target rate remains at 0% - 0.25%, and the Fed "anticipates that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period."

In an effort to lower mortgage and long term interest rates, in March the Fed committed to the

purchase of an additional \$1 trillion in agency mortgage-backed securities and longer-term Treasury securities over the coming months.

March, as world leaders pledged more than \$1 trillion in aid to revive the global economy and improvements in several key economic indicators gave equity investors

new optimism. Hopes that the steepest portion of the current contraction has passed helped to propel the stock market to rally 20% off of its recent lows.

However, persistently anemic consumer confidence, reduced credit, on-

going weakness in the labor market and the nagging slump in housing all suggest that recovery will be slow and protracted.

Illiquidity in credit markets persist. Renewed vigor in the longer-term corporate debt market has prompted many companies to seek funding through longer-term issuances which exceed the maturities allowed under the Money Management Act. The dearth in supply of shorter-term, higher-rated securities is compounded by an excess of demand—attractive issues are quickly snapped up by buyers hungry for quality additions to their portfolios. The PTIF continues to compete aggressively for quality names, but must continue to buy in smaller block sizes (as discussed also in February's newsletter).

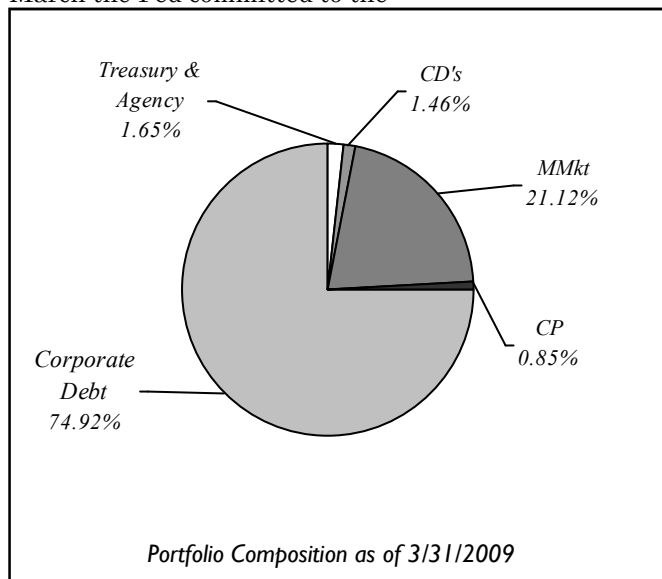
Portfolio Summary

Average adjusted maturity.....	49 days
Percent of portfolio maturing or repricing within 30 days.....	44%
Percent of portfolio maturing or repricing within 90 days.....	94%
360 Day Basis Yield on 3/31/2009.....	1.25%
365 Day Basis Yield on 3/31/2009.....	1.26%

The national rate of unemployment increased in March to 8.5%, its highest level since 1983. Utah continues to compare favorably to the rest of the U.S. in this area, with state-wide unemployment reaching 5.2% in March.

Historically low mortgage rates and falling home prices brought homebuyers into the market, pushing the pending home sales index up 1.7 points in February.

U.S. stocks began to rebound in early



iPAS Update

Pool Account Numbers

The way that iPAS displays pool account numbers has caused some confusion. The number following your four-digit pool account number is known as the *position number*, which is used within the PTIF's accounting system for tracking purposes.

"PTIF" is displayed as the underlying investment to indicate that your pool account owns shares in the Public Treasurer's Investment Fund. Each pool account has a unique position number associated with it.

Search Function

The search function is used when

an iPAS user has access to more than twenty accounts, or when a destination account number is selected when processing an interfund transfer.

Following is a step-by-step explanation of how the search function is used.

Refer to **Figure 1**.

First, enter the destination pool account number in the input box next to “Transfer To:”

(Pool account 4102 is used in this example).

After entering the destination pool account number, click on the “search” link next to the input box.

Interfund Transfer

Select the source investment:

Transfer From: 4060-8526: PTIF

Fund: 4060: DAS-FIN-EDUC BUDGET RESERVE
Position: 8526: PTIF

Actual Balance:	\$229,591,272.10
Contributions Pending Settlement:	\$0.00 [0 items]
Withdrawals Pending Settlement:	\$0.00 [0 items]
Available Balance:	\$229,591,272.10

Select the destination investment:

Transfer To: 4102 search

FIGURE 1

This will bring up the selection screen, shown in **Figure 2**.

Click on the “Select” link next to PTIF. This will close the selection screen and display the pool account number and name of the fund you have selected.

INVESTMENT SEARCH

Find Investments: Fund Code Equals 4102 Search

4102 DED-TRUST LAND DIV & INT
4102-8662 PTIF Select

Done

FIGURE 2

If you have access to the selected account, the balance will be displayed.

If you *don't* have access to the destination account (for instance, if you are transferring funds to another entity) you will see the message shown at the bottom of **Figure 3**.

This only indicates you do not have access to view balances for that particular account; your transfer will still process if submitted.

Interfund Transfer

Select the source investment:

Transfer From: 4060-8526: PTIF

Fund: 4060: DAS-FIN-EDUC BUDGET RESERVE
Position: 8526: PTIF

Actual Balance:	\$229,591,272.10
Contributions Pending Settlement:	\$0.00 [0 items]
Withdrawals Pending Settlement:	\$0.00 [0 items]
Available Balance:	\$229,591,272.10

Select the destination investment:

Transfer To: 4102-8662 search

Fund: 4102: DED-TRUST LAND DIV & INT
Position: 8662: PTIF

You are not authorized to view the details about the specified investment.

FIGURE 3

RICHARD K. ELLIS
STATE TREASURER

P.O. Box 142315
350 N. State Street, Suite C180
Salt Lake City, UT 84114-2315

Phone: 801-538-1042
Toll free: 800-395-7665
Fax: 801-538-1465

Banking Check-Up (continued)

environment is of great relevance to bank depositors.

While there is no single measure that completely defines bank asset quality, evaluate Nonperforming Assets, (NPA) which includes “Other Real Estate Owned,” as a percentage of Total Assets.

It is also instructive to evaluate NPA as a percentage of Total Capital plus the bank’s Loan Loss Allowance. This so-called “**Texas Ratio**” is considered by many as a reliable predictor of bank distress.

Ratios are most meaningful when compared with those of peer banks.

Bank Rating Services

Independent rating services provide access to a variety of ratios and reports.

Bankrate.com is a convenient and free starting point—it provides a good basic array of information. (Note: Bankrate.com displays the Texas ratio as “Nonperforming Asset Ratio” within its “**memo**” report.)

Bankrate.com’s information can at times be somewhat outdated—for more current and comprehensive information on your bank’s condition, numerous other (mostly fee-based) services are available.

All of the information needed to evaluate your bank is also accessible within the **Uniform Bank Performance Report**, or “UBPR”, on the FFIEC’s website, at:

<http://www.ffiec.gov/UBPR.htm>.

FDIC Insurance Enhancements

Late last year, the FDIC *tempo-*

rarily increased insurance limits. The limit on interest-earning accounts (i.e. savings, money market accounts and CDs) was increased to \$250,000 until the end of this year.

Also, under the FDIC’s Temporary Liquidity Guarantee Program (TLGP), *transaction accounts* (including “NOW” accounts yielding up to 0.50%) now carry unlimited FDIC insurance coverage until the end of 2009. TLGP is an optional program—banks were allowed to *opt out* by a certain deadline late last year. Find out if your bank opted out of the TLGP, and ensure that you understand the degree to which your deposits are fully FDIC-insured if you have concerns about your bank’s safety and soundness.

Most importantly: Discuss any concerns you might have with your banker(s).